Baltimore smart CEO
Required Reading for Growing Companies

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Take it to the next level?

caskey's corner

By Wayne Caskey
for Smart CEO

My friend, Bill Troyk, is the President of Roadrunner Freight Services, Inc. of Milwaukee, Wisconsin, a less than truck load (LTL) carrier. Very early in his career, I was a mentor for Bill, and we have kept in touch over the years. He has built his company from scratch to $130 million annual volume, from one operations terminal in Milwaukee to nine terminals nationwide, and from six employees (traffic, sales, accounting) to four hundred employees and one hundred fifty independent contract truckers.

His story illustrates, as few other entrepreneurial stories do, the questions each entrepreneur needs to answer to get to that next level, and the next, and the next.

Bill worked in sales and personnel administration for large companies before I hired him into a personnel position at a smaller, family-held company whose leadership was in its third generation. He became sales manager there before he left to found his own company in 1984.

His first office was a card table and two chairs in a leased eight-door truck terminal. He and his partner had put all their net worth on the line, borrowed from family and friends, and after a long search, found a friendly banker who loaned them additional funds.

Their initial success almost put them out of business, because they had to fund the personnel and equipment necessary to service the cascading orders without having the cash flow to do so. Bill says, "This forced me to learn more about finance. I corrected the situation by putting more people in the collections area to reduce Days Sales Outstanding and also reduce bad debt."

QUESTION #1-Can you identify and admit what you don't know, and educate yourself to confront early challenges?

About three years after founding the company, the revenue had grown to $17 million annually, the number of employees to a hundred, and the number of independent contract truckers to a hundred. Bill's staff in traffic, sales and accounting continued their technical competence but gaps became apparent in the increased levels of management competence required. Bill's solution was to delegate management duties to competent managers in the company, bring in new managers over the technically competent employees, or as a last resort, terminate employment.

QUESTION #2-Can you make the distinction between technical and management competence, and act decisively when your company needs management competence?

In 1984, when Bill started his company, the books were done by hand, not computer. He hired very basic ability to program and design initial systems, and, as the systems have become more complex, has brought in more sophisticated computer systems management three times. Roadrunner now spends $700,000 annually on its computer systems. For the last 12 years, his CFO has kept Bill apprised of the systems and detail which he doesn't understand.

QUESTION #3-Can you be open to abandoning old systems which no longer serve you and limit the growth of your company?

QUESTION #4-Can you surround yourself with people who understand what you don't?

About ten years ago, Bill decided to improve service by specifying teams of two truckers on runs over twelve hundred miles. One hundred of his two hundred twenty-five truckers quit, and he found that he was having a difficult time recruiting new quality truckers.

Bill introduced the idea of having Roadrunner freight carried by outside carriers. His staff recoiled in horror. "Our customers are used to us, and they'll never stand for their freight going over other lines." He went ahead anyway, the customers accepted the switch, and today about 80% of Roadrunner freight goes out on other freight lines.

QUESTION #5-Can you challenge common wisdom and lead against the consensus of your management team?

Early on in the business Bill went on sales calls, but his partner was a natural salesman, and Bill needed to be Mr. Inside in the business, even though he didn't know much other than personnel administration. He learned he enjoyed focusing on getting better numbers. Today, he has led his whole staff to talk in terms of the key percentages necessary to get to target gross margin and net operating profit.

QUESTION #6-Can you let your responsibilities be dictated by the needs of the business?

QUESTION #7-Can you reduce the main variables in your business to trackable percentages and then live by them?

In 1991, seven years after start up, Roadrunner Freight had three operations terminals in Milwaukee, Chicago and Dallas. It was doing $37 million annual volume and was a comfortable moneymaker for Bill and his partner. Bill was concerned, however, because he felt the Company was vulnerable to price wars by larger competitors in its three markets. So he and his partner put their own net worth, which was now considerable, at risk to open two additional terminals in new markets. Bill says, "Unlike when we began, we now had a lot to lose."

QUESTION#8-Having made a comfortable living, are you willing to risk it all to decrease the vulnerability of the business?

After ten years in the business, Bill and his partner were continuing to work six to seven days a week, twelve to fifteen hours per day. In order to live more normal lives, they decided to reduce the amount of money they were taking out of the business to hire the help they needed. Bill says, "We became delegaters." Bill's early training in organizational skills and follow-up again became important.

QUESTION#9-As times change in your business, are you willing to change with them?

In 1996-97, as the annual volume surged beyond $91 million with five terminals in the Milwaukee, Chicago, Dallas, Nashville and Atlanta, and employment and contractor numbers topped 500, Bill realized the need for and implemented consistent corporate personnel and computer policies and procedures. However, he made it clear to his corporate staff that they were there for support of line operations, and not as dictators of staff policy.

QUESTION#10- In an increasingly complex company, will you balance necessary standardization with support for individual initiative?

In 1998, Bill and his partner had a policy dispute which reflected their very different life styles. As a result, Bill determined that he would buy out his partner. He also wanted to cash out some of his share of accumulated net worth in the business. After a long search, he located a venture capital company that purchased 80% of the company, leaving him with significantly more personal assets and 20% of the company. Following the old adage, "Them that's got the gold, rules," Bill told the VCs he now considered himself an employee and would give them his best judgment and accept their decision. They said they considered him a partner and they didn't know his business, so they expected him to continue as he had before. It's been a profitable partnership.

QUESTION#11-Are you willing to give up ownership and stay on, tailoring your style to the wishes of new owners?

Now Bill is looking to create an office of Chairman for himself and choose a new President. He says, "You've got to know when your time is up, and younger, more energetic leadership is required." Bill says there's a lot of "politicking" going on now among his internal candidates, but he expects that will subside after a choice is made. Then he will need to "get out of the way."

QUESTION #12-Will you know when to step aside and relinquish the reins to keep company leadership vigorous?

There are a few things which Bill says have served him well through all the changes his company has seen.

1. Treat people properly.
2. Have incentive and bonus systems in place.
3. Keep the culture entrepreneurial.
4. Keep the accounting practices honest.
5. Tell bad news right away.

He adds, "It also helps if you get a big check now and then."

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